



Department of Energy
National Nuclear Security Administration
Washington, DC 20585

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MEMORANDUM FOR

SANDRA L. SCHNEIDER
ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS

FROM:

ANTHONY R. LANE *Anthony R. Lane*
ASSOCIATE ADMINISTRATOR FOR
MANAGEMENT AND ADMINISTRATION

SUBJECT:

COMMENTS ON INSPECTOR GENERAL DRAFT REPORT

On October 1, 2001, the Office of Inspector General provided a copy of their draft report on "Follow-on Inspection of the Department of Energy's Value Engineering Program." The report has a recommendation that the Administrator designate a senior official with responsibility for executing the Value Engineering program. The National Nuclear Security Administration will work with the Director, Office of Management, Budget and Evaluation/Chief Financial Officer on the development of policies related to the Value Engineering program and, further, will continue taking the measurable steps to implementing a Value Engineering program on capital projects managed through the Associate Administrator for Facilities and Operations.

As a first step to assessing the status of Value Engineering activities and promoting a cultural change in the Administration, the Office of Project Management and Engineering Support has implemented a line of inquiry for Value Engineering into the Independent Project Review (IPR) process. The IPR process for Value Engineering lines of inquiry, and focused value engineering reviews, are documented in the Administration's Program Requirements Manual for Project Management. Value Engineering reviews evaluate the project to identify ways of improving performance, reliability, quality, safety, and life-cycle costs of products, systems, or procedures to achieve "best value." The IPR process verifies that the Value Engineering Plan is an integral part of design and construction planning for projects. For example, during 10 IPRs conducted at different stages of various projects life cycle, the Office of Project Management and Engineering Support documented over 138 Value Engineering recommendations with an estimated cost savings of over \$16 Million.

Two years prior to the Department issuing the Program and Project Management for the Acquisition of Capital Assets order, the then Assistant Secretary for Defense Programs incorporated a process for verifying the effective use of Value Engineering into the IPR process. It is the intent of the Administration to define and implement an effective Value Engineering program and, further, to develop the reporting process to ensure it is an integral part of the Administration's programs and project management. In Fiscal Year-02, the Administration will issue a Policy Letter that will define the process and reporting requirements for Value Engineering efforts within the Administration.

cc: Associate Administrator for Facilities and Operations
Ellen Livingston-Behan, S-1 Staff



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